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Driving towards the next phase of your life

Getting the date right can help you reach your destination sooner

At some point you'll say 'goodbye' to your co-workers, get into your car and drive towards the next phase of your life – retirement. But when will that be? The move to retirement is one of the most important decisions you'll make, so it's not surprising that determining the date is harder than you may ever expect.

However, most over-45s are not making plans to match their hopes for the future according to new research^[1]. The vast majority (86%) of those aged 45 or over are already dreaming about escaping their working life for retirement, but only 8% of the same age group have recently checked the retirement date on their pension plans to make sure it is still in line with their plans. Over half (56%) don't have a clear idea of when they want to retire, and only one in ten (10%) have worked out how much income they'll need when they decide to stop working.

The study reveals that it doesn't get much clearer as you go up the generations. Less than a fifth (17%) of those aged between 55 and 64 have recently checked to see if the retirement date on their pension policy still fits in with their plans.

Some people will have set their retirement date when they were in their 20s or 30s, and a great deal will have changed since then, including their State Pension age and perhaps their career plans. It may seem like a finger-in-the-air guess when you're younger, but the date that you set for retirement on a pension plan does matter. It will often dictate how your money is being invested and the communications you receive as you get nearer to that date.

REASONS TO KEEP YOUR RETIREMENT PLANS UP TO DATE

RIGHT SUPPORT, RIGHT TIME

If the date you plan to retire changes or you simply want to take some of your pension without stopping working, it's important to tell your pension company provider. Otherwise you may not receive information and support about your pending retirement at the most helpful

times, as they'll be basing this on your out-of-date plans.

DE-RISKING INVESTMENTS

Some investment options will start to move your pension savings into lower-risk investments as you get closer to retirement. If you don't have the right retirement date on your plan, you could be moving into these investments at the wrong time. For example, if you move into them too early, you could potentially miss out on investment returns that could increase the value of your pension savings. But if you move too late, you could be exposing your life savings to unnecessary risk.

INVESTMENT POT

The size of pension pot you need to build up to maintain your lifestyle when you come to retire will depend on when you plan to do so.

INCOME

If you're planning to buy an annuity at retirement, which will guarantee you an income for the rest of your life, the amount of income you'll get will depend on the size of your pot and annuity rates at that time. If you prefer to use your pension savings more flexibly, you can keep your money invested and take it as and when you require it. You're then responsible for making sure your life savings last as long as you need them to. ■

Source data:

[1] Research was carried out online for Standard Life by Opinium. Sample size was 2,001 adults. The figures have been weighted and are representative of all GB adults (aged 18+). Fieldwork was undertaken in November 2017.

TIME TO REVIEW YOUR RETIREMENT DATE?

Reviewing your retirement date regularly as you get older makes real sense, and most modern pension plans enable you to change and update this date whenever you choose. If you would like to make sure that you are still on track for a successful retirement, please contact us for a review – don't leave it to chance.

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